

REPORT
OF
THE SECRETARY OF WAR,

IN ANSWER TO

A resolution of the Senate of inquiry whether any orders have been issued by his directions by which a preference is directed to be given to specified individuals in contracts, purchases, or in furnishing supplies.

JUNE 22, 1860.—Read, and ordered to be printed.

WAR DEPARTMENT, June 21, 1860.

SIR: I have received the resolution adopted by the Senate on the 13th instant, directing the Secretary of War to communicate to that body "whether any orders have been issued by his direction from the Quartermaster General, Commissary General, or ordinance officers, by which a preference is directed to be given to specified individuals in contracts, purchases, or in furnishing supplies under either of their departments, and, if so, that he report the reasons for not allowing competition in those cases; and that the report be made at this session of Congress."

I simply have the honor to say, that a full answer to this resolution might be made in the simple statement that I have never given any order to any officer named, or to any other "by which a preference was directed to be given to a specified individual, in contracts, purchases, or furnishing supplies," in "which competition was not allowed." But as special reference is made to certain officers, I deem it proper to report fully to the Senate the detailed transactions in each of these bureaus, that my action in all these matters may fully and distinctly appear.

My order to the Quartermaster General, the first officer concerning whom the resolution makes inquiry, will fully appear from the accompanying report from that office, which I have directed to be made with careful and minute detail.

From this report and the accompanying official communications from the Quartermaster General to me, the Senate will see that the exigencies of the service imperatively demanded that my orders to the quartermasters should be given to procure the supplies. I waited, to the last moment, with the hope that appropriations might be made to furnish supplies in the ordinary manner.

On the 17th of February, 1857, I received from the Quartermaster General a letter, of which the following is an extract:

“It is time that all of the arrangements of the quartermaster’s department were being made for the operations in Utah already ordered; but the appropriations, as you are aware, are entirely exhausted, and nothing can be done, either in the procurement of supplies, of the means of transportation, or of cavalry and artillery horses, unless an appropriation be speedily made by Congress, or the Secretary of War exercise the authority vested in him by the sixth section of an act of Congress entitled ‘An act in addition to the several acts of Congress for the establishment and regulation of the Treasury, War, and Navy Departments,’ approved May 1, 1820, which authorizes contracts to be made, without appropriations for their fulfillment for the subsistence and clothing of the army, and for the quartermaster’s department.

“Hoping that the necessary appropriations would be made, I have delayed asking your attention to the act above-mentioned from day to day, and week to week, until it would perhaps be jeopardizing the best interests of the service to delay longer.”

Although a due regard to the best economy for the service might have prompted me then to give the orders desired, I preferred to wait still further the action of Congress. On the 5th of March, the following letter was written to me by the Quartermaster General, presenting such a picture of the public service, that I could no longer hesitate to perform what was an obvious duty.

“QUARTERMASTER GENERAL’S OFFICE,

“*Washington, March 5, 1858.*

“SIR: The appropriations for the quartermaster’s department are entirely exhausted, and the service is everywhere paralyzed for the want of means.”

* * * * *

“The estimates now on my table from the military departments and posts throughout our territory, extending from the Atlantic to the Pacific, and from the Kennebec and Puget’s Sound, to Florida Point and Arizona, including the drafts before-mentioned, exceed a million and a half of dollars. If appropriations cannot be obtained in a very few days, I most respectfully but *urgently* recommend that the power vested in the Secretary of War by the act of Congress of the 1st of May, 1820, which authorizes contracts for the subsistence and clothing of the army, and for the quartermaster’s department, without appropriations, be exercised. Every hour’s delay will add to the expenditure.

“THOMAS S. JESUP,

“*Quartermaster General.*

“Hon. JOHN B. FLOYD,

“*Secretary of War, Washington city.*”

When the supplies, then absolutely necessary for the service, were procured under the orders then given, every precaution was taken to insure the purchase of them at the cheapest rates. And, whilst no article, as far as I know or ever heard, was bought above the market price, some important supplies were purchased at very material re-

ductions on prices formerly paid. I may instance the important item of wagons, upon which a reduction of twelve and a half per cent. was effected, and which is, no doubt, permanent.

In the commissary's department I have, on two occasions, ordered contracts to be made; they are set forth in the accompanying report from that bureau.

It will be remembered by the Senate that a very large reduction was made by the last Congress in the estimates of the War Department for the support of the army. This reduction fell with its chief weight upon the quartermaster's department, and especially so on the estimate for transportation. To avoid the necessity of exceeding the appropriations it became imperatively necessary to resort to every means at the command of the War Department to diminish the expenses of the army, and most particularly in the item of transportation.

Russell, Majors, and Waddell were the contractors for transporting army supplies to Utah, and, by the terms of the agreement with the Quartermaster General, they were entitled to a reasonable notice of what freight was to be transported, and, upon the preparation of the needful transportation, it was further agreed that, if the government, from any cause, should fail or refuse to furnish the freight, then the government should take the transportation so provided at its cost.

Notice had been given by the Quartermaster General to the contractors to prepare transportation for supplying the flour for the army in Utah. This transportation had been prepared in conformity with the notice. A considerable part of the flour had been purchased and was started on the route. At this time the contractors proposed to furnish the flour necessary for the army in Utah, and which they had gotten notice to transport, at the actual price which it would cost if bought as usual and transported. I was advised by the Quartermaster General to accept this proposition, and I ordered it to be accepted because the government saved thereby all losses upon flour arising from the transportation of so large a quantity from St. Louis to Salt Lake, and which had the year before exceeded the sum of \$50,000, and because this arrangement transferred the chief cost of the flour from the Quartermaster's Bureau, which was in imminent danger of a deficiency, to the Commissary Bureau, which was in no such danger, and, lastly, because it would, without any risk to the public interests, demonstrate the fact whether this important article could be furnished certainly for the wants of the army in that remote Territory.

Up to that time the strong and concurrent opinion of the officers in Utah was against relying upon that Territory for supplies. I was then, as I am still, satisfied that this arrangement was the very best that could have been made for the public interests.

The contract directed to be given to Mr. Taliaferro for supplies in Arizona sprung very much from the same causes, and had in view the same objects. In this case, care was taken to fix the prices at the lowest rates, and by this experimental contract it was hoped to establish the fact that supplies for the troops could be furnished in that Territory, and thereby save the losses which would necessarily follow from the transportation of such supplies over such an immense distance through so hot a climate. This contract resulted in a proposi-

tion from others to furnish supplies in Arizona, and finally in one from the first contractor to supply the troops for two years at a reduction of twelve per cent. on former prices. In view of the large immigration, which it was understood was taking place to the mining regions of the Territory, and the increased force intended to be sent there for operations against the Indians, I could not doubt but that the best interests of the government demanded the acceptance of this offer. It is, however, to be apprehended that, from advancing rates of produce, this contract is likely to fall through, as will be seen from the accompanying communication from a commissary officer at Fort Buchanan. If it fails for the reasons stated by the commissary it will prove the contract to have been one of saving and economy to the public service; if it should be carried out it will result in a very large gain to the country.

The price of all articles to be furnished was established by reference to prices previously paid for similar articles by the commissary department in the same region of country, and by adding the cost of transportation to such as were previously purchased in the States by advertisement. The cost of transportation was also fixed by having been let to the lowest bidder.

As regards the Ordnance Office, many orders for the purchase, by the Colonel of Ordnance, of arms, equipments, ordnance, and ordnance stores, have been given by me in conformity with law and usage. They were for articles which the law does not require to be obtained by contracts on previously invited proposals; which it has not been usual so to obtain; and which, in most, if not all, cases, cannot be advantageously or properly so obtained, including, as they do, special arms and articles for experimental purposes not to be found in the general market. When, in these orders, the persons were specified from whom the purchases were to be made, they were sometimes regular manufacturers of, or dealers in, the articles to be supplied; sometimes patentees, holding exclusive rights; and the requisite precautions were always taken to secure the public interests, both as regards the quality of the articles and the prices paid. It is evident that, in most of such purchases, general competition is impossible, and experience has fully shown that for the procurement of cannon, small arms, and ordnance stores, invitations for bids are by no means conducive to the public interest, but are detrimental. The law does not require, nor has it ever been the usage to make them.

I will be allowed to specify one order which I gave for the purchase of iron for manufacturing gun-carriages, because it has been made the subject of remark in the Senate. The importance of iron for gun-carriages has been made the subject of repeated communications by me to Congress, and they have been advised that experiments were in progress to establish its practicability and usefulness. At the commencement of these experiments the cost of the proper iron for them was high, and was purchased by the Ordnance Bureau without reference especially to me. The prices thus paid amounted to seventeen and one eighth cents per pound, as I found from the bill paid the Trenton Iron Works. The prices for this character of iron became materially lower, and I ordered the Colonel of Ordnance to purchase a supply of

the same iron from the New York Architectural Iron Works, at prices averaging from four to eight cents per pound, which proved of the best quality, and is in process of manufacture into gun-carriages, and in continuation of necessary experiments.

Statements of all contracts of every sort and description have been, heretofore, communicated by me to Congress, and can be found in the documents transmitted from the War Department to both houses at the commencement of each session.

I do not know that there has been any change in the system of purchasing supplies for the army during the last three years, from the policy previously pursued, except that bids have been much more generally invited by advertisement in the newspapers than has been the case since the Mexican war.

From the general character of the resolution of inquiry, my answer has necessarily been, for the most part, general. I take the occasion, however, to inform the Senate that it will afford me gratification to respond to inquiries for information or explanation in regard to any specific acts of my administration of the War Department which may be deemed by that honorable body of sufficient importance to require such action on their part.

Very respectfully, your obedient servant,

JOHN B. FLOYD,
Secretary of War.

HON. JOHN C. BRECKINRIDGE,
President of the Senate.

QUARTERMASTER GENERAL'S OFFICE,
Washington, December 22, 1859.

SIR: Your letter of the 9th ultimo, covering a copy of a contract made by Lieutenant John R. Cooke with T. W. Taliaferro, to supply the post of Buchanan, has been received.

In reply to the latter part of the letter, you are informed that the view you take of the design of the Secretary of War, when he directed that arrangements should be made with Mr. Taliaferro "for the army supplies and stores that may be needed for the service in the Territory of Arizona," is correct, and that it was his intention to allow that gentleman for them the market price in Arizona, and not to favor him at the expense of the treasury, and he regrets that the officer who made the contract did not govern himself accordingly. The contract, however, having been made, the government is bound by it in paying for the grain that may have been delivered on the receipt of this letter; but for the residue that may be required, you will not allow Mr. Taliaferro more than the market price at Fort Buchanan, and at the time of its delivery.

By order:

E. S. SIBLEY,
Major and Quartermaster.

Lieutenant H. RANDALL,
Acting Assistant Quartermaster, Fort Buchanan, N. M.

QUARTERMASTER GENERAL'S OFFICE,
Washington, October 8, 1859.

SIR: Your letter of September 13, inclosing contract for corn for the supply of Fort Buchanan, is received, and, in calling your attention to paragraph 945, General Army Regulations, you are desired to send a duplicate of the contract to this office.

It is not considered that you are ordered by the Secretary of War to pay a certain fixed sum to Mr. Taliaferro for army supplies, but to contract with him at prices not exceeding those now paid.

By order:

E. S. SIBLEY,
Major and Quartermaster.

Lieutenant JOHN R. COOKE,
Acting Assistant Quartermaster, Fort Buchanan, N. M.

QUARTERMASTER GENERAL'S OFFICE,
Washington, December 24, 1859.

SIR: Your letter of the 14th ultimo, in relation to the construction of the order of the Secretary of War in your favor, dated March 26, 1859, has been received, and I am directed by the Quartermaster General to say that it was not the intention of the Secretary of War to give you a contract to the prejudice of the interests of the United States. The Secretary's language, "at prices not exceeding those *heretofore* paid," does not convey the idea you seem to entertain, that it is an order to contract with you *at* the prices *heretofore* paid, and those only; but means that you are to have the preference if you will furnish the supplies needed on as favorable terms as they may be procured from others; and that you are *not to be paid a higher rate* than has *heretofore* been paid for similar articles in the same region of country. To pay you higher prices for supplies than those at which they could be procured from others, would be not only unjust to the government, but illegal, and is not an admissible interpretation of the Secretary's order.

No contract with this department is completed until it has been approved by the War Department; and as the articles of agreement entered into by Lieutenant J. R. Cooke, acting assistant quartermaster, and yourself, at Fort Buchanan, on the 12th of September, 1859, has been disapproved by the Secretary of War, for the reasons above stated, no contract with you exists. But as you have made deliveries under a supposed agreement, the acting assistant quartermaster at Fort Buchanan has been instructed to pay you for what has been delivered at the rate specified between Lieutenant Cooke and yourself, and for any deliveries made subsequently to pay you only the market value at the time of each delivery.

HENRY C. WAYNE,
Brevet Major, Assistant Quartermaster.

T. W. TALIAFERRO, Esq.,
Fort Buchanan, Arizona.

OFFICE ACTING COMMISSARY OF SUBSISTENCE,
Fort Buchanan, New Mexico, May 8, 1860.

COLONEL: Herewith I have the honor to transmit estimates of funds required for the purchase of flour, beans, and fresh beef for the troops that are to be stationed in this Territory, (Arizona.) The estimates are for one year, dating from the 1st day of June, 1860, also a requisition for other subsistence stores for the use of the troops above mentioned. This requisition is for six months, dating from June 1, 1860.

I have not as yet been able to enter into contracts with Taliaferro & Grant for the delivery of army supplies, owing to the non-appearance of Mr. Grant, and I feel anxious lest the health and comfort of the troops now *en route* for this Territory suffer from a scarcity of provisions should a much longer delay occur. It is time now that the contracts should be made, inasmuch as the articles required will have to be brought from distant points.

Sonora cannot furnish flour sufficient to subsist the troops, nor can beef cattle be obtained in sufficient number short of four hundred miles.

In contracting with Taliaferro & Grant, as directed by letter from the honorable Secretary of War, I feel it my duty to demand of them heavy bonds, inasmuch as their failure to fulfill the contracts in accordance with that letter is almost certain, from the fact that most of the articles required cannot be had either in this Territory or the State of Sonora, Mexico, in quantities sufficient to subsist the troops that are to be stationed here. The Overland Mail Company and this (present) post have drained Sonora of her corn, and reduced the quantity of flour so much that the price has advanced greatly since the news of the probable arrival of more troops in this Territory has gotten abroad. It is the opinion of every well-informed man that it is impossible for any person to fulfill the contracts as required by the order of the Secretary of War.

A gentleman of great experience, and who is thoroughly informed as to the profits resulting from the office of government contractor, and is well acquainted with the resources of the country, affirms that he would not take the contract off of the hands of Taliaferro & Grant for a bonus of \$50,000.

What bonds am I to require, and when shall the contracts go into effect, are very important questions.

If Mr. Grant does not make his appearance here before the return of mail from Santa Fé, am I to wait longer to enter into contracts with other parties? Is it the intention of the order from the Secretary of War to contract with Messrs. Taliaferro & Grant for all army supplies, or only those usually purchased at this post, namely: flour, beef, and beans? I shall make contracts for flour, beef, and beans only, unless otherwise directed.

An answer by return mail is respectfully solicited.

I am, colonel, very respectfully, your most obedient servant,

HORACE RANDALL,

Second Lieut. First Dragoons, Act. Asst. Com. of Subsistence.

Colonel J. B. GRAYSON,

Chief Commissary of Subsistence,

Department of New Mexico, Santa Fé, N. M.

QUARTERMASTER GENERAL'S OFFICE,
Washington City, June 16, 1860.

SIR: In answer to a resolution of the Senate, adopted on the 13th instant, requiring the Secretary of War "to communicate to the Senate whether any orders have been issued by his direction from the Quartermaster General, Commissary General, or ordnance offices, by which a preference is directed to be given to specified individuals in contracts, purchases, or in furnishing supplies, &c.," I have the honor to submit the following list of contracts, &c., made by your direction, either in this office or in pursuance of instructions from it, which is correct as far as it can be ascertained from the books of the office in the short time allotted me to examine them, and as far as my memory serves me:

1. Contract with the Pacific Railroad Company for the transportation of troops and supplies for one year from St. Louis to Fort Leavenworth, and to such temporary depots as might be established on the Missouri river.

2. Four contracts made with Philip Dorn, Beggs & Rowland, Neil McAlwayne, and A. M. White & Co., respectively, for the manufacture of wagons.

3. Contract with R. H. Hartley & Co. for mule harness.

4. Contract with R. H. Gale and Joab Scales for cavalry horses.

5. Contract with H. M. Watterson for cavalry horses.

6. Contract with J. P. Brawley for the delivery of corn at Nebraska City. This contract was not fulfilled, and, as the grain was required for Utah, necessitated, owing to the advance of the season, the making of the contract next on this list.

7. Contract with John Keatly for the delivery of barley at Fort Leavenworth.

8. These contracts have all been reported by the Secretary of War to Congress, and may be found in Executive Document No. 50, House of Representatives, Thirty-Fifth Congress, second session.

9. Instructions authorizing T. W. Taliaferro to furnish the supplies required by the quartermaster's department in the contemplated Territory of Arizona, provided it be done at prices not to exceed those paid heretofore for similar articles in the same region of country.

10. Instructions renewing the order in favor of T. W. Taliaferro, and extending it to the said Taliaferro and N. S. Grant for two years, on condition that they shall furnish the required supplies at twelve per cent. less than the ruling prices paid by the United States for similar supplies furnished or procured the past year, with the addition of a reasonable allowance for transportation to any new posts that may be established.

Many of these contracts were made at a time when the appropriations for the quartermaster's department was entirely exhausted, and it became necessary to make proper arrangements for the movement of troops to Utah. They were made, too, after you had been urgently recommended by the late quartermaster general to exercise the power vested in you by the act of Congress of the 1st of May, 1820, which authorizes contracts to be made for the subsistence and clothing of the

army and for the quartermaster's department without appropriations adequate to their fulfillment. Copies of official communications from this office in relation to some of the facts I have stated, and in explanation of others, are herewith subjoined.

Very respectfully, your obedient servant,

E. S. SIBLEY,

Major and Quartermaster in Charge.

Hon. JOHN B. FLOYD,

Secretary of War, Washington, D. C.

OFFICE OF COMMISSARY GENERAL OF SUBSISTENCE,
Washington, June 18, 1860.

SIR: In compliance with your instructions to report in what cases you have given directions to make contracts with particular individuals, I have the honor to state the three following as the only instances as regards this office.

First. On the 26th March, 1859, an order was given directing that all supplies in this department for Fort Buchanan, usually procured in that vicinity, should be procured for one year by contract with Mr. T. W. Taliaferro, provided he would furnish them at the prices which had ruled during the previous year.

Under this order but one contract, so far as known at this office, has been made, viz: for 41,000 pounds flour at 12 cents per pound.

This contract with Mr. Taliaferro was not received at this office until the 20th January, 1860, and does not appear in the (printed) annual statement of contracts made from this office, as that statement was sent in to the War Department on the 4th of January, 1860.

Second. On the 22d April, 1859, an order was given to enter into a contract with Messrs. Russell, Majors & Waddell, for the flour required in Utah, 830,000 pounds, they to receive the cost price at St. Louis, with cost of transportation. This contract was duly made. From this office you were urged, both verbally and in writing, not to rely upon Utah for this flour, it being deemed too unsafe, from all the information in its possession, to depend upon the Mormons for so important a part of the ration.

Third. On March 9, 1860, an order was given renewing and extending the order given to Mr. Taliaferro, in favor of Mr. Taliaferro and N. S. Grant, for two years from the expiration of the twelve months for which it was given, and extending the same to that portion of the Territory of Arizona lying south of $33^{\circ} 36'$ north latitude, and west of $106^{\circ} 35'$, and extending also to *all* supplies required; provided said Taliaferro and Grant will furnish such supplies at prices *twelve* per cent. less than the ruling prices paid by the United States for similar supplies procured at said posts during the past year, to which prices shall be added a reasonable allowance for transportation to any new posts that may be established, estimating said transportation from the nearest post now established within said boundary.

Under this order, up to the latest advices received, (May 8,) no contracts had been made, and it is feared from recent information from

Fort Buchanan—*vide* copy of letter from Lieutenant Randal to Colonel Grayson—that the parties will not be able to supply the troops under the above conditions.

It may be permitted here to state, that in the majority of purchases of subsistence, which in similar cases during many previous years would have been made in the open market, they have, under the regulations of 1857, been made by advertisement during your administration of the War Department.

Most respectfully, your obedient servant,

A. E. SHIRAS,
Captain in Charge.

Hon. JOHN B. FLOYD,
Secretary of War.